



TEN WAYS TO MAKE YOUR FRIENDS WISH THEY KNEW AS MUCH ABOUT MONEY AS YOU DO

1. "Get your finances organized and stay organized"

Paperwork is just a part of life, so start getting used to it. And money isn't just green, it comes in all forms. If you keep track of your receipts, pay stubs, tax return information and all things money related, it will be so much easier to follow the rest of these steps, and maybe make your mom happy by having a clean room for once. It's as simple as buying file folders to help get you organized. So get started! They are cheap and they will only help you in the long run.

2. "Try budgeting your income and expenses"

First of all, which is which? Your income is what you earn, it's your paycheck, your green, your cash in hand; and your expenses are what you spend, Friday night movie, new car, McDonald's. These two things go hand in hand and if you try to map out a budget plan (even if it's just for a month), you will be able to know exactly where every single penny of your hard earned cash goes. So keep your receipts (in your new, nifty folder) and keep a log of what money comes in, and what money goes out. You may surprise yourself at how much money you really spend each month, and maybe start to appreciate the relationship between you and your money.

3. "Know that your skills influence your income"

This one is huge, people. If you have a skill, anything that makes you stand out in a crowd (or on a resume), then you will be an asset to whomever you work for and they will want to keep you employed with them. It takes time, of course, to learn and master new skills. So start now! Make yourself valuable. This means more money and future opportunities for you that will only increase with time.

4. "Spend less than you earn, or pay yourself first"

Pay what? Yes, you. Actually make a habit of saving money for the bigger things in life that will come along later. If you set aside, pay yourself first, a little bit of each paycheck and put it into a savings account, you will be amazed at the amount of money you will accumulate over a few years.

5. "Use credit cards wisely"

Credit cards have benefits and risks. Be aware of them. Credit cards offer convenience of spending but if they are not paid off monthly you are developing a debt and that will cost you (usually at among the highest percentage cost of any borrowing). A simple rule here is that if you use the convenience of a card, take the responsibility to pay it off at the end of each month. Credit card companies make it easy to get cards and you'll see messages about how great buying something is. Be alert that having a credit card does not mean that you have free money. Good credit is a big asset. Use it wisely.

6. "Be aware of the difference between saving and investing"

Saving money is simply the act of not spending it. Investing means that you earn a return (that's cash, people) on the money you put into it. It takes awhile to be financially and intellectually ready for investing. Saving doesn't take brainpower, it takes willpower. Save for awhile. Then invest when you feel you are ready.

7. "Focus on the relationship between risk and return on your investments"

Huh? Simply put, the value of an investment can fluctuate up and down, and typically the younger you are, the more risk you can take because you don't have kids, a house or rent to worry about quite yet. There are two types of investing: short term and long term. If you need your money in say less than five years make investments with less risk, if you don't need your money for 10 + years you can take greater risk. If you want to have money to buy a car in a year, don't go investing in the stock market to earn it, keep it in a savings account and let interest accrue slowly. This way you know you will have the money when you need it. There will come a time in your life when stocks and other such investments will be important to you, so don't ignore this step, it could be the deciding factor in your wealth as an adult.

8. "Take advantage of compound interest and start investing early"

Compound interest means earning interest on interest. When you keep earning money on the money you earn good things happen. Pennies become dollars, dollars become thousands of dollars and so on. The "Rule of 72" gives you the math – To determine how long it will take your money to double, divide the interest rate into 72. For example, an account earning 6% interest will double in twelve years (72 divided by 6 equals 12).

9. "Be skeptical about financial advice"

You are the only person who really understands your goals and what you want to do with your money. Other people, like brokers or sales people, may act like you and your money are more important than the air they breathe, but really you need to have a bias and a healthy skepticism to dig in, research, get the facts yourself to make the smart choices that are right for you. Get the best advice in the world about how to spend and invest your money, but make sure that it suits your needs first, not theirs. There is an old saying that is worth remembering: "When it seems too good to be true, it probably is."

10. "Keep learning about money matters"

There is no time in your life when money will not be important. And learning a little bit today, a little bit tomorrow and so on will give you a growing knowledge of how to handle your money to build a successful financial life. These ten ideas you've just read should give you an overview, a starting point for your questions. When you see articles or hear discussions, read and listen. Talk to your peers when the subject comes up. Learn with a filter to weed out the scams and get rich quick schemes. Absorb real life examples and seek advice from people you can connect with and trust.